

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – AUGUST 22, 2002**

**PRESENT:** Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.; Michael Gocłowski, Law Warehouse

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending August 18, 2002 shows retail sales were up 1.5%, on-premise sales were down -.28%, off-premise sales were up 28.4%, and total aggregate sales were up around 5.2%. The traffic count was up by 2,059, while the average sales ticket was up \$.58.

The W-1 Total Weekly Sales Report confirms total sales for the week were up 5.2% or \$364,538, while yearly sales were up about 7% or \$3,421,694. Wine sales for the week increased 10.3% or \$301,684, and also increased for the year by 14.2% or \$2,881,083. Sales of spirits were up on a weekly basis by .7% or \$29,684, and were also up year-to-date by 3.04% or \$969,214.

##### **B. Budget Reports:**

Everything seems to be in order regarding depletions and post-offs as of August 20, 2002. Of the two brokers with outstanding balances, one made payment within the last couple of days, while a check is expected from the second broker within the next few days.

Craig, Howard and Rick Farrenkopf had a meeting with Law representatives Tuesday afternoon, which included looking at an alternate site for the Commission. There was discussion relative to sharing a T-1 line or perhaps using a satellite communication link. Being co-located with Law seems to make sense given our business relationship. Several scenarios are being developed, among them the purchase of several servers or having them delivered to the alternate site within a stated number of hours. Another alternative would be to have a service (SunGard) come in and provide equipment. Craig is meeting with SunGard during the first week in September.

The W-6 Expense Budget Activity Variance Report shows targeted expenses to be at about 14%, with actual agency expenditures at around 15.5%.

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Indirect costs were paid earlier than they were last year. There was nothing of real significance to report. George suggested submitting a letter to Fiscal Committee asking to use relocation monies for stores. He will let the Commission know when the next Committee meeting will be.

Other current accounting activities include working on financial statements for the end of year and on a group of contracts.

Bids are due in for the credit card RFP by next Wednesday, and it will take a few weeks to review all of them.

There have been difficulties with the vendor which has hampered proceeding with the financial accounting software package. Their response time to questions has been inadequate, and their pricing has fluctuated too much. In addition, they want the Commission to use their forms. There was brief discussion regarding what other agencies have and what this agency currently has. George has developed a new RFP, and both he and Craig recommend sending it out to obtain a new vendor. Craig said he would make a last attempt to speak with the President of the current vendor, and will talk with the Commission about this tomorrow.

2. IT Report

Work is starting on the POS RFP, and Howard said he is soliciting any changes people would like to see. He is expecting responses from the store managers within a day or two.

The ACR software is not running as smoothly as expected. ACR now wants \$750,000 to purchase the source code and \$55,000 thereafter for maintenance fees. Howard thinks a better package can be found for less money. Craig said there is enough money to pay ACR for the remainder of the time they are needed and to purchase a new package.

Last week Law was given the layout for breakage to the automatic affidavit processing. By the end of September this should all be automated, and the licensee program should be ready as well.

Craig asked what the delay was in getting rid of the boxed Franzia wines. Chairman Byrne asked John Bunnell to follow up on this, as well as finding out if brokers are being notified about breakage.

Howard reported that there was another conference call last week regarding electronic specifications. Terms have still not been agreed upon concerning effective dates. To date, only Diageo has sent records using the system. The

web site is functional to the point that any broker can post changes electronically.

Howard distributed written information from Rick Farrenkopf showing what is yet to be done with expected completion dates for the conversion. Almost everything will be completed by August 30<sup>th</sup>. It will probably be the end of September before the old servers are completely taken out.

## **II. MARKETING & SALES REPORTS**

### **1. Store Operations**

According to the W-8 Sales Analysis by Location report for the week ending 8/18/02, total store sales were up \$155,938.87 or 2.7%. Peter felt that the recent hot weather had a big effect on sales, with customers coming in to shop a little later in the day.

Regarding relocations and renovations, the new location for Store #14 Rochester is due to open by next Monday, and product has already started to arrive.

The Summer of Savings program is drawing to a close, with the last day being this coming Sunday. John Bunnell will discuss with Mark Bodi capturing the names and addresses of everyone who participated in the sweepstakes. Peter has e-mailed everyone about the Merchandising Mania event and when and where it will take place.

### **2. Warehouse Report**

Stock is down slightly in the Concord Warehouse.

### **3. Purchasing Report**

Follow-up has been done on the main out-of-stock items. Grey Goose Vodka should be arriving in the Warehouse today.

### **4. Merchandising Report**

#### **A. SPIRITS:**

#### **1) Test Market Request (Cazadores Reposada Tequila):**

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Bacardi USA for a new test market listing for Cazadores Reposada Tequila, 750ML size (assigned four-digit Code #8154), as recommended by Richard Gerrish, Spirits Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) 50ML Listings:

a. The Speyside Single Malt:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./International Brands for a 50ML size listing of The Speyside Single Malt (assigned four-digit Code #2391), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Thor's Hammer Vodka:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands for a 50ML size listing of Thor's Hammer Vodka (assigned four-digit Code #3509), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Specialty Status Recommendations:

a. 27 items (specialty status recommended):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to twenty-seven (26) spirit items which failed to meet their respective gross profits required for full distribution, but did exceed gross profits required for specialty listings, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, and table action on four (4) other spirit items. The motion was unanimously adopted.

b. 4 items (specialty status recommended); 12 items (delist recommended):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to four (4) spirit items which failed to meet their respective gross profits required for full distribution, but are unique or one of a kind, delist nine (9) spirit items which failed to meet their respective gross profits required for

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full distribution, as they are not unique or one of a kind, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, and table action on three (3) other spirit items. The motion was unanimously adopted.

- c. 1 item (delist recommended):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an appeal and delist one (1) spirit item which failed to earn the gross profit required to retain specialty listing status, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**B. WINES:**

- 1) Wine Sale for November 2002:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of all wine varietals, Chardonnay and Pinot Noir, on sale for the period of October 28 through December 1, 2002 in the following manner (mixed or matched), as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: purchase 6 to 8 bottles and receive 10% off; purchase 9 to 11 bottles and receive 15% off; purchase 12 or more bottles and receive 20% off. The motion was unanimously adopted.

- 2) Special Purchase from United Beverages, Inc. (Covey Run):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of a special purchase on four (4) Covey Run 750ML size wines during the months of September and October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Special Offers for the Month of October 2002:

- a. 1 item – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during October 2002, as recommended by Nicole

Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 113 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and thirteen (113) wine items, to be featured on sale during October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 38 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of thirty-eight (38) wine items, to be featured on sale during October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Wine Specialty Products:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve fifty-six (56) wine codes to be listed as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Recommended Allocated and Restricted Wines for Distribution to Selected Stores:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twenty-four (24) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Primary Source Submissions (14 items – exclusive agent; 15 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of fourteen (14) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and fifteen (15) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Tabled Items:

- a. Non-Recommendation of 1999 Bordeaux Purchased (tabled from 8/8/02, item B-2): Item remained on the table.

**III. ENFORCEMENT & LICENSING REPORTS – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated August 16 through August 22, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

a. Special Offers for the Month of October 2002:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from United Beverages, Inc., based upon depletions of one (1) wine item, to be featured on sale during October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution Delist Recommendation:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that a recommendation from Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, to deny appeals and delist two (2) Jenkins products be referred back to the Marketing Department for further study. The motion was unanimously adopted.

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c. 2002 Holiday Listings:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve eighteen (18) spirit and wine items to be featured as 2002 holiday listings, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Recommendation for Change of Business Hours in Store #14 Rochester:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the business hours of operation for the new location of Store #14, Rochester, be revised to be the same as the current hours of operation for Store #9, Dover, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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John W. Byrne, Chairman

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Anthony C. Maiola, Commissioner

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Patricia T. Russell, Commissioner

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